MONTGOMERY COUNTY, MARYLAND

HEALTH CARE REIMBURSEMENT ACCOUNT

ACTIVE EMPLOYEES

Effective January 1, 1992

As amended 1/1/2006

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PREAMBLE

Montgomery County, Maryland (the "County") has established the Health Care Reimbursement Account, effective January 1, 1992, as hereby amended, to allow Eligible Employees of the County to elect to reduce their cash compensation in order to receive an equivalent amount of payment for certain medical expenses. The Health Care Reimbursement Account is intended to qualify as a health plan within the meaning of Section 105 of the Internal Revenue Code.

The Health Care Reimbursement Account is a Component Plan of each of the Sub-plans of the FLEXPLAN.

ARTICLE I
DEFINITIONS

The following words and phrases as used herein will have the following meanings, unless a different meaning is plainly required by context. Pronouns will be interpreted so that the masculine pronoun will include the feminine and the singular will include the plural, and the following rules of interpretation will apply in reading this instrument:

1.01 Administrator or Plan Administrator means the Chief Administrative Officer or such person designated by the County pursuant to Article V to administer the Plan on behalf of the County.

1.02 Benefit Effective Date means the date on which an Eligible Employee's benefit election becomes effective. In general, the Benefit Effective Date will be January 1, following the Benefit Enrollment Period each year.

For newly hired Eligible Employees and for Employees who become newly Eligible Employees due to a Change in Employment Status, the Benefit Effective Date will be the date that such employee completes and returns a Benefit Enrollment Form to the Administrator during the Benefit Enrollment Period.

In the case of an Eligible Employee who has a Change in Employment Status resulting in termination of eligibility under one Sub-plan and eligibility for another Sub-plan offered by the County, the Benefit Effective Date will be the first day of active service with the County under the new employment status with respect to the election described in Section 2.03 (c). If the employee completes a Benefit Enrollment Form in accordance with Section 2.02, the Benefit Effective Date for that election will be the date that such employee returns the completed Benefit Enrollment Form to the Administrator during the Benefit Enrollment Period.

For Eligible Employees that have a Change in Status, the Benefit Effective Date will be

the date that proper and timely notification has been given by the Eligible Employee to the Administrator. Notwithstanding the preceding, coverage of a newborn is effective as of the date of the Change in Status.

1.03 Benefit Enrollment Period means the period during which an Eligible Employee may enroll in the Plan. In general, the Benefit Enrollment Period will occur during a specified time in the fourth quarter of each Plan Year, or such other dates as may be established by the Administrator, and announced to Employees, in lieu of this date.

In the case of a newly hired Eligible Employee, the Benefit Enrollment Period will occur during the sixty (60) days commencing with such employee's date of hire.

For Eligible Employees that have a Change in Employment Status, the Benefit Enrollment Period will be within sixty (60) days commencing with such employee's Change in Employment Status.

1.04 Benefit Enrollment Form means the form provided for the purpose of electing participation in the Plan. The Benefit Enrollment Form also serves as an Eligible Employee's authorization for Pay Reduction for the forthcoming Plan Year (or, if the Benefit Enrollment Form becomes effective after the beginning of the Plan Year, for the balance of the Plan Year).

1.05 Benefit Period means the Plan Year; provided, however, that in the case of a newly hired Eligible Employee, the Benefit Period will be the period commencing on his Benefit Effective Date and ending on the last day of the Plan Year in which such date occurs. For Eligible Employees that have a Change in Employment Status, the Benefit Period will commence on the Benefit Effective Date and end on the last day of the Plan Year in which the Change in Employment Status occurred.

1.06 Change in Employment Status means the transfer of employment classification of an Eligible Employee, resulting in termination of eligibility under one Sub-plan and eligibility for another Sub-plan. A Change in Employment Status also includes the transfer of employment classification of an Employee resulting in his becoming a newly Eligible Employee.

1.07 Change in Status means an event described in Section 3.04.

1.08 Choice Plan means the flexible benefits plan adopted by the County on January 1,1992, as amended. The Choice Plan is a Sub-Plan. The Plan is a Component Plan of the Choice Plan.

1.09 COBRA means the Consolidated Omnibus Budget Reconciliation Act of 1985 which is incorporated into the Internal Revenue Code under Section 4980B and provides for continuation of employer health coverage after certain losses of health coverage.

1.10 Code means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

1.11 Compensation means earned income, salary, wages, fees, commissions, overtime, bonuses, tips, and all other earnings of a Participant, reportable on a Form W-2 for the Plan Year, including amounts contributed by the Participant to the Plan, but excluding all other contributions to any other plan sponsored by the Employer, and all other forms of compensation.

1.12 Component Plan means each of the accident and health plans and group term life insurance plans under the Sub-plans of the FLEXPLAN, including medical, prescription, dental, vision, group term life insurance (and the associated accidental death and dismemberment coverage) and long term disability. The Plan is a Component Plan.

1.13 County means Montgomery County, Maryland, a political subdivision of the State of Maryland. The term "County" also includes any Participating Agency whose participation in the Plan has been approved by the Administrator.

1.14 Dependent means an Eligible Employee's spouse or other individual who qualifies as a dependent under the provisions of Section 152 (without regard to (b)(1), (b)(2), and (d)(1)(B)) of the Code.

1.15 Effective Date means January 1, 1992, the effective date of the Plan.

1.16 Eligible Employee:

(a) With respect to the Choice Plan, Eligible Employee means (i) any individual who was hired prior to October 1, 1994 who is an elected or appointed official or a permanent elected or appointed official or a permanent Full-time or permanent Part-time employee of the County or (ii) any individual hired by the County on or after October 1, 1994 who is covered by a collective bargaining unit that has not agreed to be covered under the Select Plan.

(b) With respect to the Select Plan, Eligible Employee means any elected or appointed official and any permanent Full-time or permanent Part-time Employee of the County who was hired on or after October 1, 1994. Eligible Employee does not include any Part-time employee who is scheduled to work less than 10 hours per week, and does not include any employee covered by a collective bargaining unit which has not agreed to be covered by the Select Plan.

1.17 Employer means Montgomery County, Maryland, and, if applicable, any Participating Agency.

1.18 FLEXPLAN means the Montgomery County, Maryland FLEXPLAN, as amended from time to time.

1.19 Full-time Employee means any employee working a normal scheduled work week of 40 hours on a continuing basis.

1.20 Health Care Expense means an expense related to the diagnosis, cure, mitigation, treatment, or prevention of disease consisting of expenses for medical care within the meaning of Section 213 of the Code, including, but not limited to, payments for the purpose of affecting any structure or function of the body, or for any hospital or nursing charges, optometrical, ophthalmological or auditory care, routine physical examinations, well-baby care, dental and orthodontic care, psychiatric care, prescription drugs, insulin, eyeglasses or contact lenses, hearing-aid appliances, similar prosthetic devices, medical-related transportation or medical or dental insurance out-of-pocket expenses.

The term "Health Care Expense" does not include cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease. The term "cosmetic surgery" means any procedure, which is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease.

1.21 Highly Compensated Individual means any Employee defined as such in Section 105(h) of the Code.

1.22 Part-time Employee means any employee scheduled to work less than the normal 40 hours per week for Full-time Employees (but not less than 10 hours per week), on a continuing basis.

1.23 Participant means any Eligible Employee who has met the conditions for participation as set forth in Article II.

1.24 Participating Agency means any agency that has satisfied the requirements of Sections 33-36(b) or 33-114(b) of the Montgomery County Code and has signed an adoption agreement evidencing its intention to participate in the FLEXPLAN. A Participating Agency may choose not to offer certain of the Component Plans, including the Plan, to its Eligible Employees.

1.25 Pay Reduction means the reduction of an Eligible Employee's Compensation made under the FLEXPLAN in consideration for such Eligible Employee's participation in the Plan. Such Pay Reduction will be treated as Employer contributions for purposes of Section 125 of the Code.

1.26 Plan means the Montgomery County, Maryland Health Care Reimbursement Account Plan, as may be amended from time to time.

1.27 Plan Year means the twelve month period commencing on each January 1 and ending on each December 31.

1.28 Qualified Beneficiary means any individual eligible to continue health care coverage under COBRA as a result of a Qualifying Event.

1.29 Qualifying Event means any event described in Section 4980B of the Code which gives a

Qualified Beneficiary the right to continue health care coverage under COBRA.

1.30 Regulations mean the applicable regulations issued under the Code by the Internal Revenue Service or any other governmental agency with appropriate authority pursuant to any other applicable federal law, and any rules, notices or releases promulgated by any such authorities.

1.31 Select Plan means the flexible benefits plan adopted by the County on October 1, 1994,as amended. The Select Plan is a Sub-plan.

1.32 Sub-plan means each flexible benefit plan arrangement maintained by the County. Currently the two sub-plans are the Choice Plan and the Select Plan.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.01 Eligibility. Each Eligible Employee will be eligible to elect to participate in the Plan during each Benefit Enrollment Period.

2.02 Enrollment. Each Eligible Employee will be required to complete a Benefit Enrollment Form during the Benefit Enrollment Period commencing on such employee's date of hire or date of Change in Employment Status and during each annual Benefit Enrollment Period thereafter. This form will indicate that such employee has elected to participate in the Plan and has authorized the Pay Reduction associated with the Plan. Adjustments to Pay Reductions applicable to the election will commence on a non-pro rated basis as soon as practicable, without regard to the pay period. In the case of a Change in Employment Status, the Pay Reduction allocated with respect to the Plan must at least equal the Pay Reduction previously in effect prior to the Change in Employment Status.

2.03 Failure to Submit a Benefit Enrollment Form.

(a) New hires (including Employees who become newly Eligible Employees due to a Change in Employment Status):

Should a newly hired Eligible Employee fail to complete and/or return a Benefit Enrollment Form prior to the end of the applicable Benefit Enrollment Period, such employee will be deemed to have elected to allocate $-0- Pay Reduction to the Plan.

(b) Current Participants: Should a Participant fail to complete and/or return a Benefit Enrollment Form prior to the end of the applicable Benefit Enrollment Period, such employee will be deemed to have elected to allocate $-0- Pay Reduction to the Plan.

(c) Change in Employment Status (resulting in termination of eligibility under one Sub-plan and eligibility for another Sub-plan):

Until such time that an Eligible Employee who has a Change in Employment Status completes and returns a Benefit Enrollment Form for his new Sub-plan, such employee will be deemed to have elected to allocate the same amount of Pay Reduction to the Plan as previously in effect under his former Sub-plan. Should such employee fail to complete and/or return a Benefit Enrollment Form for his new Sub-plan prior to the end of the applicable Benefit Enrollment Period, such employee will be deemed to have allocated the same amount of Pay Reduction to the Plan as previously in effect under his former Sub-plan.

2.04 Change in Status. In the event an Eligible Employee incurs a Change in Status during the Benefit Period, such employee may elect coverage or increase the amount of Pay Reduction allocable to the Plan within sixty (60) days of the Change in Status, provided the change is on account of and corresponds with the Change in Status. An election to revoke the amount of Pay Reduction may only be made on account of a leave under the Family Medical Leave Act.

If an Eligible Employee revokes coverage, changes coverage or elects coverage because of a Change in Status, the employee must notify the Administrator using the form prescribed by the Administrator. Following notification by such employee, the change in Pay Reduction applicable to the election change will commence on a non-pro rated basis as soon as practicable, without regard to the pay period. Coverage under the Plan will be effective as of the date the Administrator is notified of the Change in Status. Notwithstanding the preceding, coverage of a newborn is effective as of the date of the Change in Status.

2.05 Effect of Elections, Revocations and Changes During a Benefit Period.

(a) Elections: If an election of coverage under the Plan is made after the beginning of a Benefit Period pursuant to Section 2.04, Health Care Expenses will be payable only if incurred on or after the effective date of the election of such coverage.

(b) Revocations: If an election of coverage under the Plan is revoked after the beginning of the Benefit Period under Sections 2.04, 2.06 or 2.07 Health Care Expenses will be paid only if incurred prior to the effective date of such revocation.

(c) Changes: If an election increases the amount of reimbursement after the beginning of a Benefit Period pursuant to Section 2.04, Health Care Expenses incurred (1) on or after the first day of such Benefit Period but prior to the effective date of such change, will be reimbursed up to the original maximum reimbursement level before the change, and (2) on or after the effective date of such change, will be reimbursed up to an amount equal to the maximum amount reimbursable pursuant to such change reduced by the amount of Health Care Expenses incurred and reimbursed prior to the effective date of such change.

2.06 Leave of Absence. An Eligible Employee granted an authorized leave of absence under the regulations and policies prescribed by the County, is eligible to continue coverage in

accordance with the following provisions:

(a) An Eligible Employee on a paid leave of absence will continue in the Plan and be deemed to have no change in his employment, or eligibility, or coverage status.

(b) An Eligible Employee on an unpaid leave of absence including an unpaid leave under FMLA or the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) will continue in the Plan as follows:

(i) FMLA: Coverage under the Plan if he is enrolled on the day immediately preceding the commencement of the FMLA leave may be continued for the duration of the FMLA leave.

USERRA: Coverage under the Plan if he is enrolled on the day immediately preceding the commencement of such leave may be continue for the lesser of 18 months or until the Eligible Employee fails to apply for reinstatement or to return to employment with the County.

Other Approved Leave: Coverage under the Plan if he is enrolled on the day immediately preceding the commencement of the unpaid leave of absence may be continued for the period of time established under the regulations and policies of the County applicable to the reason for such leave.

(ii) An Eligible Employee may revoke his election of coverage under the Plan for the remainder of the Plan Year in which such leave commences.

(iii) While on such leave, an Eligible Employee is entitled to revoke or change elections if he incurs a Change in Status and may also make elections during the Benefit Enrollment Period.

(iv) The Eligible Employee may pre-pay the amount equal to the Pay Reduction associated with the Plan before commencement of such leave (generally on a pre-tax basis with respect to the same Plan Year during which such leave will occur).

(v) If the Eligible Employee does not pre-pay and does not revoke his participation, during the period of leave, an Eligible Employee will be responsible for the amount equal to the Pay Reduction associated with the Plan (generally on an after-tax basis).

For FMLA, USERRA and parental leave, if an Eligible Employee fails to pay that amount during the leave period, the County will recover the money owed from such employee's pay check when he returns to work either on a pre-tax basis with respect to the same Plan Year during which such leave occurs or on an after-tax basis. If the Eligible Employee fails to return to County employment after the leave, the Eligible Employee must repay the County on an after-tax basis except to the extent prohibited under FMLA.

For leave other than FMLA, USERRA or parental, if an Eligible Employee fails to pay the amount during the leave period, coverage under the Plan will be cancelled.

(vi) If the Eligible Employee has not revoked coverage or had coverage cancelled, the Pay Reduction for coverage under the Plan will resume automatically upon return to pay status from leave.

(vii) If the Eligible Employee had revoked coverage, the Employee returning from leave within the same Plan Year, may elect, within sixty (60) days of returning to pay status, to be reinstated in the Plan at the same level of coverage and make up the unpaid amounts or resume coverage at a reduced level by paying the same amounts. If the Eligible Employee chooses coverage at the reduced level, the coverage is prorated for the period during the leave for which no premiums were paid. Such employee who returns from leave in a subsequent Plan Year will be required to complete a Benefit Enrollment Form applicable to the balance of such Plan Year. An Eligible Employee who fails to submit such Benefit Enrollment Form will be treated in the same manner as a current Participant described in Section 2.03 (b), substituting "sixty (60) days of returning to pay status" for the Benefit Enrollment Period.

(i) An Eligible Employee who revoked participation during his leave will not receive any reimbursement for Health Care Expenses incurred during the leave unless he subsequently elects reinstatement.

2.07 Missed Allocations. Should there be insufficient funds to execute an Eligible Employee's authorized pro-rata Pay Reduction, the Plan Administrator will authorize collection of the missed allocations from future pay checks during the Plan Year. If the missed allocations cannot be collected for any reason during the Plan Year, coverage under the Plan may be canceled.

2.08 Termination of Employment. Upon termination of employment or if a Participant ceases to be an Eligible Employee, participation in the Plan will cease. A terminated employee will be entitled to reimbursement of claims for Health Care Expenses incurred prior to his termination of employment provided such employee applies for the reimbursement within the time periods established in the Plan. Coverage will continue to be available to Qualified Beneficiaries pursuant to the provisions of COBRA.

If a terminated employee is re-employed by the County in the same Plan Year as the termination was effective, such employee may not make a new election of coverage for that Plan Year. However, a terminated Employee may re-enroll under the same election of coverage in effect on the day before such termination, provided such re-enrollment occurs within sixty (60) days of the re-employment date. He may not receive reimbursement for Health Care Expenses during the time he was not employed by the County or re-enrolled in the Plan. In addition, the coverage will be reduced to account for the period of time that the employee did not make contributions. Terminated employees who are re-employed by the County in a subsequent Plan Year will be treated

as new hires for purposes of enrollment.

ARTICLE III
BENEFIT ELECTIONS

3.01 Filing of Benefit Elections. All Benefit Enrollment Forms and other communications from any Eligible Employee or other person to the Administrator required or permitted under the Plan will be in such form as is prescribed from time to time by the Administrator, will be delivered in such a manner and to such location as will be specified by the Administrator, and will be deemed to have been given and delivered only upon actual receipt thereof by the Administrator at such location.

3.02 Elections and Periods During Which Elections May Be Made. An Eligible Employee may elect coverage under the Plan in accordance with Section 3.06 by submitting a Benefit Enrollment Form to the Administrator during a Benefit Enrollment Period.

3.03 Duration of Elections. Benefit elections will generally be effective for the Benefit Period to which such election relates.

3.04 Change in Elections. Benefit elections applicable to a certain Benefit Period may not be revoked or changed during such Benefit Period except in the event the Plan is terminated or as provided in Section 2.04 to reflect a Change in Status. No election may be made to revoke or decrease coverage. A Change in Status will be deemed to occur under the following circumstances (or in accordance with applicable Regulations):

(a) Legal marital status. Events that change the legal marital status of an Eligible Employee. Such events include marriage, the death of a spouse, divorce, legal separation, and annulment.

(b) Number of dependents. Events that change the number of an Eligible Employee's dependents. Such events include birth, death, adoption, and placement for adoption of a child.

(c) Employment status. The following events that change the employment status of the Eligible Employee, the Eligible Employee's spouse, or the Eligible Employee's Dependent:

(i) a termination or commencement of employment,

(ii) a strike or lockout,

(iii) a commencement of or return from an unpaid leave of absence, or

(iv) a change in a worksite.

This category also includes a change in an individual's employment status where that individual becomes (or ceases to be) eligible under the Plan.

(d) Dependent's eligibility for coverage. Events that cause the dependent of an Eligible Employee to satisfy or cease to satisfy eligibility requirements for coverage due to the attainment of a certain age, student status, or any similar circumstance.

(e) Residence. A change in the place of residence of the Eligible Employee, spouse, or dependent.

(f) Special rule for court-ordered health coverage of child. If a court order provides that an Eligible Employee must provide health coverage for his child the Eligible Employee may change his election. This provision applies to a judgment, decree, or order resulting from a divorce, legal separation, annulment, or change in legal custody (including a qualified medical child support order) that requires accident or health coverage for an Eligible Employee's child or foster child who is a dependent of the Eligible Employee.

(g) Special rule for Medicare or Medicaid entitlement of Eligible Employee, spouse or dependent. If an Eligible Employee, spouse, or dependent loses eligibility for Medicare or Medicare coverage, the Eligible Employee may elect to commence or increase coverage.

(h) The occurrence of a special enrollment period, as defined in Section 9801(f) of the Code.

(i) Any other event which qualifies as a Change in Status under Code Section 125 or the regulations.

Any election, revocation or change made by an Eligible Employee must be on account of and must correspond with the Change in Status that affects eligibility for coverage under the Plan. The effect of any election, revocation or change during a Benefit Period will be governed by Section 2.05.

3.05 Plan Administration Review. The Administrator or a designated representative will review each Benefit Enrollment Form that is submitted by an Eligible Employee to determine whether the Benefit Enrollment Form is accompanied by all required documentation.

The Administrator or a designated representative will review all requests for a change in an Eligible Employee's elections due to a Change in Status and determine (a) if the indicated Change in Status is consistent with Article 3.04 and (b) if the request for such a change is accompanied by all required documentation.

Under all circumstances, the Administrator reserves the right to request additional documentation.

3.06 Election of Benefits. An Eligible Employee may, in accordance with Section 3.02, authorize the County to direct Pay Reductions to the Plan. The maximum annual contribution per Participant to the Plan will be $2,500.

3.07 Nondiscrimination. Contributions and benefits under the Plan will not discriminate in favor of Highly Compensated Individuals and will comply with Internal Revenue Code Section 105(h).. The Employer may limit or deny any Eligible Employee's Pay Reduction as authorized on the Benefit Enrollment Form to the extent necessary to avoid any such discrimination.

ARTICLE IV
FUNDING AND PAYMENT OF BENEFITS

4.01 Funding. Benefits under this Plan will be funded through Pay Reduction elections authorized by Eligible Employees and contributions by Qualified Beneficiaries. The Compensation received by each Eligible Employee during a Benefit Period will be reduced, before taxes are calculated, by the amount designated by such employee for Pay Reduction. Pay Reduction elections will be prorated over each payroll period.

4.02 Limitation. The Administrator reserves the right to convert an Eligible Employee's Pay Reduction allocation to after-tax dollars as necessary in order to comply with all nondiscrimination requirements and other applicable legislation or Regulations. Conversion of Pay Reduction allocations will result in such employee receiving the converted amount as taxable cash pro-rata throughout the year.

4.03 Reimbursement Procedures. In order to receive reimbursement for Health Care Expenses:

(a) The Participant must complete a claim form, attach (i) an itemized billing statement from the health care provider, (ii) an explanation of benefits from the Participant's insurer or (iii) other satisfactory proof of claim, and forward the documents to the claims administrator for the Plan. The Participant must provide additional information reasonably requested by the claims administrator.

Upon presentation of a claim, a Participant will expressly represent that the item for which a claim is made is not subject to reimbursement under any other health plan or from any other source and such item will not be used as a deduction under Section 213 of the Code.

(b) A request for reimbursement must relate to Health Care Expenses incurred during the Participant's Benefit Period and the two and half months following the end of the Benefit Period. For this purpose, the term "incurred" refers to when the health care services were provided.

(c) A request for reimbursement for Health Care Expenses incurred during a Plan

Year must be received by the claims administrator either during the Benefit Period or by the April 30th following the Benefit Period.

(d) Reimbursement, if made, will be made by the claims administrator directly to the Participant, upon which the County, the Plan, and the claims administrator will be relieved of all further responsibility with respect to the expenses reimbursed.

(e) The County may establish a minimum reimbursement amount.

4.04 Limitations on Reimbursements. No reimbursements will be made under this Article:

(a) If and to the extent that such reimbursement is covered under any insurance policy or policies, whether paid for by the County or the Participant, or under any other health and accident plan by whoever maintained.

(b) To the extent that an expense has been submitted for reimbursement under the Participant's Dependent Care Reimbursement Account.

(c) For any expenses incurred for medical insurance premiums.

(d) A Participant may receive reimbursements for Health Care Expenses up to the amount of Pay Reductions elected for the Benefit Period. Any reimbursements previously received will be subtracted.

4.05 Forfeiture of Unused Pay Reduction and Direct Contributions by Qualified Beneficiaries. Any amounts of Pay Reduction which have not been reimbursed for Health Care Expenses incurred during the Benefit Period and the two and half months following the end of the Benefit Period and within the period established for filing claims will be forfeited by the Eligible Employee or Qualified Beneficiary.

4.06 COBRA Compliance. In the event an Eligible Employee or a Qualified Beneficiary becomes eligible to continue coverage under COBRA, the following will apply:

(a) The health care coverage in effect the day before the Qualifying Event, as defined under COBRA, may be continued in accordance with COBRA and applicable Regulations. The Administrator, or his designated representative will notify the Eligible Employee and/or any Qualified Beneficiary as to the cost and contribution method for continuing this coverage.

(b) During the Benefit Enrollment Period concurrent with or next following the Qualifying Event, all Qualified Beneficiaries can continue coverage under the Plan for the forthcoming Plan Year; however, such continuation of coverage may not exceed the period of time required under COBRA.

(c) No Qualified Beneficiary will be eligible to enter into a salary reduction agreement pursuant to Section 4.01.

ARTICLE V
ADMINISTRATION

5.01 Administrator. The Chief Administrative Officer will be the Administrator of the Plan.

5.02 Authority. The Administrator is responsible for the administration of the Plan, and has all powers as may be necessary to administer the Plan. The Administrator is responsible for all discretionary matters arising in the interpretation, operation and administration of the Plan. Any action taken on any matter within the discretion of the Administrator will be final, conclusive and binding on all parties. The Administrator may appoint one or more agents to assist in the administration of the Plan, including various discretionary duties. To the extent the Administrator appoints one or more agents to assist in the administration of the Plan, the agent or agents must perform such delegated duties in accordance with the terms hereof.

If a Participating Agency desires coverage for its employees under the terms of this Plan, an appropriate officer of such agency must make a written request to the Administrator in order to obtain approval for participation in the Plan. The Administrator may request the submission of information and/or documents, and may require the execution of documents, as the Administrator considers necessary under the circumstances. The Administrator may deny the request of a Participating Agency for any reason which would unduly burden the administration of the Plan or duly increase the cost to the County of administering the Plan, or which would impair the tax-favored status of the Plan from either the standpoint of the County or the Participating Agency. If the Administrator approves the request, the approval must be in writing and it must specify an effective date for the commencement of participation of the Participating Agency. The County will incur no liability with respect to the inclusion in the Plan of the employees of a Participating Agency. Each Participating Agency will be fully responsible for its employees and any necessary cost for administrative services provided by the County.

5.03 Rights and Duties. The Administrator has the following powers and duties:

(a) To require any person to furnish such information as may be necessary for the proper administration of the Plan, as a condition of receiving Health Care Expenses under the Plan.

(b) To make and enforce such rules and regulations and prescribe the use of such forms as deemed necessary for the administration of the Plan.

(c) To interpret the Plan and to resolve ambiguities, inconsistencies, and omissions.

(d) To decide on questions concerning the Plan and the eligibility of any Employee to participate therein.

(e) To determine the amount of Health Care Expenses which will be payable to any person in accordance with the provisions of the Plan.

(f) To direct all payments to be made by the County pursuant to the Plan.

5.04 Records. The Administrator will maintain records showing the fiscal transactions of this Plan.

5.05 Reliance on Advisors. The Administrator, any person to whom he may delegate any duty or power in connection with administering this Plan, and the County and employees thereof, will be entitled to rely conclusively upon, and will be fully protected in any action taken or suffered by him in good faith in reliance upon any actuary, accountant, counsel, specialist, or other person selected by the Administrator.

5.06 Delegation. The Administrator may authorize any agent to make any payment on his behalf, or to execute or deliver any instrument and/or to handle the day-to-day general administration of the Plan.

5.07 Application for Benefits.

(a) In accordance with 4.03, Participants must submit a claim form along with any required documentation in order to claim Health Care Expenses under the Plan.

(b) Each claim for Health Care Expenses will be acted upon and approved or disapproved within ninety (90) days following receipt by the Administrator, or within one hundred eighty (180) days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial ninety (90) day period. If such notification is not given within such period, the claims will be considered denied as of the last day of such period, and such person may then request a review of his claim, as set forth in Section 5.10, below.

5.08 Claims Procedure. The Administrator will make all determinations as to the right of any person to Health Care Expenses under the Plan. Any denial by the Administrator of a claim for Health Care Expenses under this Plan by a Participant will be in writing by the Administrator and delivered or mailed to the Participant; and such notice will set forth the specific reasons for the denial, written in a manner intended to be understood without legal counsel. In addition, the Administrator will afford a reasonable opportunity to any Participant whose claim for Health Care Expenses has been denied for a review of the decision denying such claim.

5.09 Appeals Procedure. If a Participant wants a review of the decision, within sixty (60) days after receiving or being deemed to receive a written notice of denial of the claim, the Participant or the Participant's authorized representative must file written notice of a request for review with the Administrator. The Administrator may extend the sixty (60) day period where the nature of the Health Care Expenses involved or other attendant circumstances make such extension appropriate. The Administrator will submit the written decision within sixty (60) days after receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered as soon as possible, but not later than one hundred twenty (120)

days after the receipt of a request for review. The decision on the review will be in writing and will include the specific reasons for the decision, written in a manner intended to be understood without legal counsel. If a decision is not made within such period, the claim will be considered denied.

ARTICLE VI
AMENDMENT AND TERMINATION

6.01 Amendment by the County. The County expects to continue the Plan, but it is the County's position that there is no implied contract between employees and the County to do so. The County reserves the right at any time and for any lawful reason to amend the program, subject to the County's collective bargaining agreements, where applicable. The County may amend this Plan at any time, either prospectively or retroactively, to conform to the Code. No amendment will deprive any Participant or beneficiary of any Health Care Expenses to which such person(s) is entitled under this Plan with respect to contributions previously made.

6.02 Termination of Plan. Upon termination of the Plan, the Administrator will, after the payment or provision for the payment of Health Care Expenses to each Employee to whom Benefits are payable on the date of termination.

6.03 Impact of Termination on Compensation. Upon termination of the Plan, any Pay Reductions attributable to Compensation payable thereafter to an Eligible Employee will cease. In this event, any Compensation received by such employee after such Plan termination will equal the amount he would have received in the absence of this Plan. However, the amounts of Pay Reduction allocated to this Plan prior to termination of the Plan will not be refunded.

ARTICLE VII
GENERAL PROVISIONS

7.01 Employment Rights. Nothing contained in the Plan will give any Employee the right to be retained in the employment of the County or affect the right of the County to dismiss any Employee at any time and for any lawful reason. The adoption and maintenance of the Plan will not constitute a contract between the County and any Employee or consideration for, an inducement to, or condition of, the employment of any Employee.

7.02 Facility of Payment. If the Administrator will find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to him or his estate (unless a prior claim has been made by a duly appointed legal representative) may, if the Administrator so elects, be paid to his spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Administrator to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment will

be a complete discharge of the liability of the County, the Administrator and the Plan.

7.03 Transmittal of Notices. All notices, statements, reports, and other communications from the Administrator to any Employee or other person required or permitted under the Plan will be deemed to have been duly given when delivered to, or when mailed by first-class mail, postage prepaid and addressed to such Eligible Employee, or other person at his mailing address last appearing on the records of the Administrator.

7.04 Governing Law. This Plan and all rights thereunder will be governed by and construed in accordance with the laws of the State of Maryland and all provisions hereof will be administered according to the laws of such state, to the extent not preempted by applicable federal laws and Regulations.

7.05 Text Prevails over Captions. The headings and subheadings of the Articles and Sections of the Plan are included herein solely for the convenience of reference, and if there is any conflict between such headings and subdivisions and the text of this Plan, the text will control.

7.06 Successors and Assigns. This Plan will inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

7.07 Alienation of Benefits. Except as otherwise provided by law and by contract governing the benefits offered under this Plan, no Health Care Expenses under this Plan may be voluntarily or involuntarily assigned or alienated.

7.08 Tax Effects. Neither the County nor the Administrator makes any warranty or other representation as to whether payments received by the Participant under the Plan will be treated as includible in gross income for federal or state income tax purposes.

7.09 Proof of Claim. As a condition of receiving Health Care Expenses under the Plan, any person may be required to submit whatever proof the County may require either directly or indirectly to the County or to any person delegated by it.

7.10 Source of Payments. The County will be the sole source of Health Care Expenses under the Plan. No Employee or beneficiary will have any right to, or interest in, any assets of the County upon termination of employment or otherwise, except as provided from time to time under the Plan, and then only to the extent of the Health Care Expenses payable under the Plan to such Employee or beneficiary.

7.11 Severability. If any provision of this Plan will be held invalid or unenforceable, such invalidity or unenforceability will not affect any other provision, and this Plan will be construed and enforced as if such provision had not been included.

7.12 Gender and Form. Unless the context clearly indicates otherwise, pronouns will be interpreted so that the masculine pronoun will include the feminine, and the singular will include the plural.